

Fairfax County Economic Index

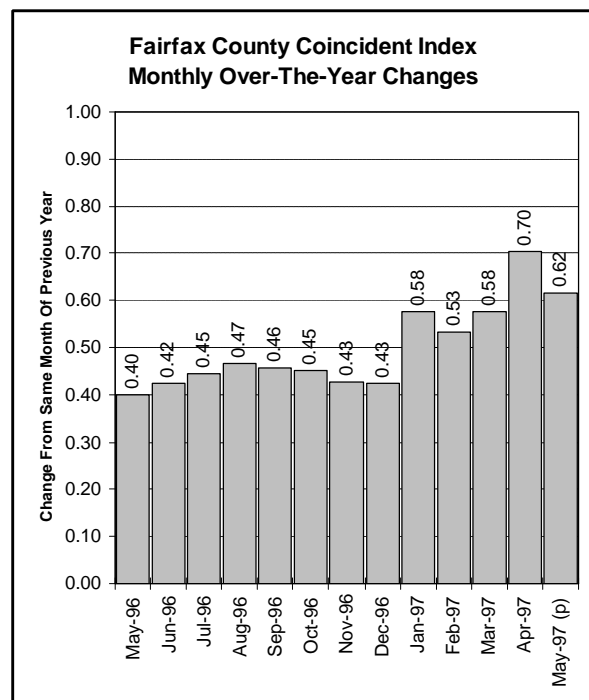
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Economy Moderates Slightly Expansion To Continue

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased just 0.01 percent in May extending its positive trend to a third month. The Coincident Index has been trending upward since January 1996 increasing in 13 of 17 months for a gain of 0.7 percent. In May, two of the Index's four components were positive.

- Total employment increased slightly in May, gaining 0.16 percent and has now gained in 11 of the last 12 months increasing 4.05 percent for this period; and
- Consumer confidence increased for the third consecutive month; while
- Transient tax collections slipped slightly after a strong gain in April and a 20.2 percent gain over the last twelve months; and
- Sales tax receipts decreased following two monthly gains and are up 8.0 percent since last May.

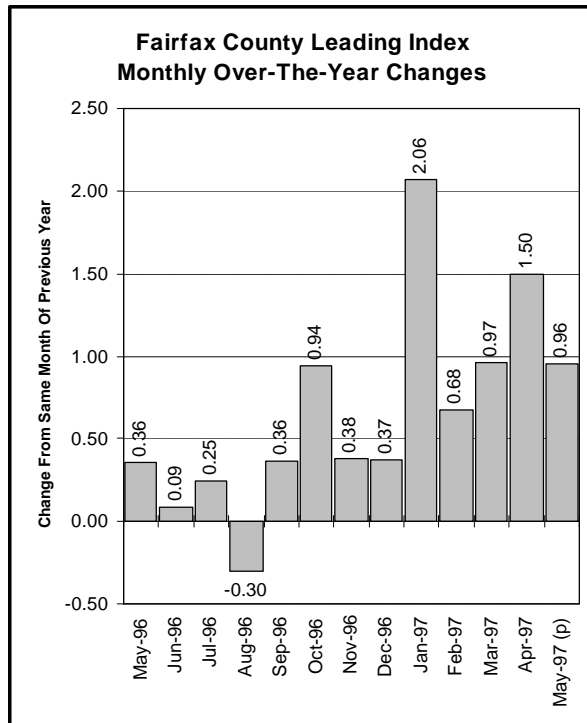


Source: GMU Center for Regional Analysis.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, decreased 0.1 percent in May following two positive months. On a monthly over-the-year basis, the Leading Index has performed well this year and continues to point to further expansion over the remainder of the year. In May,

We are on the web at:

www.co.fairfax.va.us/comm/econind.htm



Source: GMU Center for Regional Analysis.

negative performances by two of the Leading Index's five components contributed to its slight decline.

- New automobile registrations dropped in May largely off-setting their strong showing in April; year-to-date, they have been down in three of five months; and
- Residential building permits were down for the fourth time in the year's first five months; however
- Initial claims for unemployment insurance declined (improved) and have improved in four of the last five months;
- Consumer expectations (consumer confidence six months hence) were up sharply after two months of decline; and
- The mean value of residential building permits were up slightly and have now gained in four of the past five months.

CURRENT CONDITIONS

The May performance of Fairfax County's economy can be characterized as one of consolidating the previous year's rapid gains. After sustaining almost continuously accelerating growth for more than a year, many of the County's economic indicators showed little or no gain in May and some even retreated. Still, the County's economy continues to outperform its historical trend line.

Job growth in May slowed considerably from its rapid pace of the last twelve months. From April to May, the County's estimated seasonally adjusted job gain totaled just 724 or 0.16 percent. This compares to the 17,288 jobs added between May 1996 and May 1997, a gain of 4.0 percent which is almost double the national average.

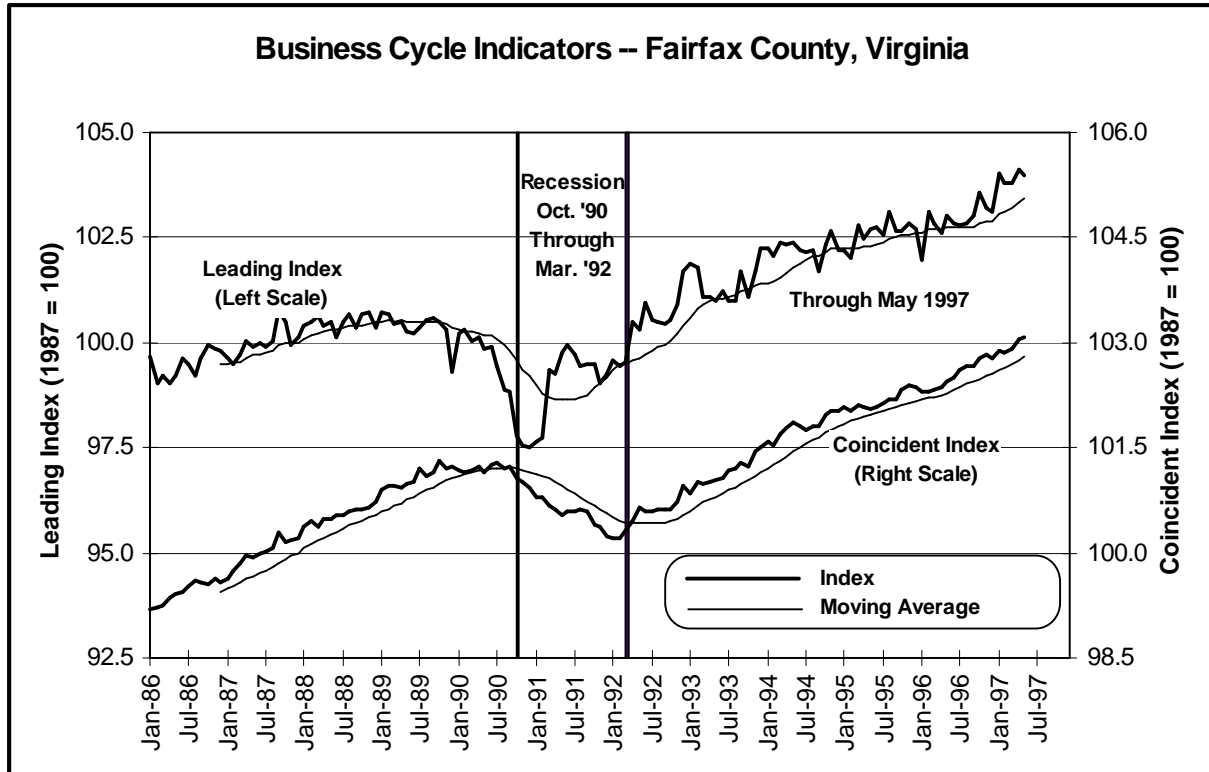
However, while job growth has slowed, the labor market remains tight. The labor force actually decreased slightly between April and May and, as a result, seasonally adjusted unemployment dipped slightly from 2.4 in April to 2.34 percent in May. This tightening of the labor market is also reflected in the continuing reduction in initial claims for unemployment insurance. Claims were down 2.3 percent from April to May and 15.4 percent for the last twelve months.

Other signs of May's slowdown are seen in the decline retail sales and hotel bookings. Sales tax receipts dropped 4.2 percent from April to May in contrast to their almost 8 percent gain over the last twelve months. Similarly, hotel transient occupancy tax collections slipped 0.45 percent in May but are up 20.2 percent over the year.

Still, consumer confidence has regained strength. After declining for three months, it has now increased for three consecutive months. With a sound economy and strong consumer confidence, retail sales can be expected to resume their upward trend.

NEAR-TERM OUTLOOK

While the County's economy appears to have been consolidating its gains in May, the economy's leading indicators also have weakened slightly. Overall, the leading index remains on a strong growth track with



Source: GMU Center for Regional Analysis.

its gains since last September pointing to continuing growth over the remainder of this year and into next. Still, there are several under-performing indicators that bear watching.

New automobile registrations--sales--were off sharply in May and have been down in three of the year's first five months. Residential building permits have also been down, declining in four of the last five months and are down 42.7 percent since May 1996. Both of these indicators are sensitive to interest variations and to consumer expectations (consumer confidence six months hence).

Consumer expectations have been down in seven of the last twelve months, but over all, their trend is positive gaining 17.4 percent over the year since May 1996. With this May's gain in consumer expectations and declining home mortgage interest rates, conditions appear favorable for housing demand to increase and for durable goods retail sales, and especially autos, to reverse their slide and resume their upward trend in the second half of the year.

With the national forecast pointing to a substantial moderation in the economy's growth rate following the GDP's unusually strong 5.9 percent first quarter gain, the favorable national trends that have contributed to the strong economic growth in Fairfax County are not likely to be as supportive over the next year. Similarly, slower growth in federal spending and continuing workforce reductions will dampen the metropolitan area's growth rate. Still, Fairfax County appears well positioned for continuing economic growth, however its rate of growth is likely to moderate slightly in the coming months in response to the slower growth at the national and regional levels.

IMPACT ON COUNTY REVENUES

While the County's economy, as measured by the Coincident Index, is experiencing an expansion, County revenue sources are expected to continue to experience moderate growth.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	May-97 Prelim.	Apr-97 Final	May-96 Final	Apr-97 to May-97	May-96 to May-97
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	103.07	103.06	102.45	0.01	0.60
Leading Index (1987 = 100)	104.00	104.10	103.04	-0.10	0.93
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	443,970	443,246	426,682	0.16	4.05
<i>Total Covered Employment (Unadjusted)</i>	<i>444,569</i>	<i>439,718</i>	<i>427,258</i>	<i>1.10</i>	<i>4.05</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	276.1	277.3	229.7	-0.45	20.19
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>379.6</i>	<i>371.4</i>	<i>307.9</i>	<i>2.20</i>	<i>23.28</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	6,727.8	7,019.2	6,231.7	-4.15	7.96
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>8,445.2</i>	<i>8,641.1</i>	<i>7,816.2</i>	<i>-2.27</i>	<i>8.05</i>
South Atlantic Consumer Confidence	159.5	155.5	140.3	2.57	13.68
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	4,272	5,702	5,601	-25.08	-23.73
<i>Automobile Registrations (Unadjusted)</i>	<i>4,716</i>	<i>5,606</i>	<i>6,183</i>	<i>-15.88</i>	<i>-23.73</i>
Initial Unemployment Claims (Seasonally Adjusted)	819	840	968	-2.52	-15.45
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>750</i>	<i>832</i>	<i>887</i>	<i>-9.86</i>	<i>-15.45</i>
South Atlantic Consumer Expectations	115.8	106.9	98.6	8.33	17.44
Residential Building Permits (Number of Units, Seasonally Adjusted)	511	557	891	-8.20	-42.66
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>539</i>	<i>581</i>	<i>940</i>	<i>-7.23</i>	<i>-42.66</i>
Average Residential Building Permit Value (\$='87 Per Unit, Seasonally Adjusted)	77,846	76,301	52,985	2.03	46.92
<i>Average Residential Building Permit Value (\$=Current Per Unit, Unadjusted)</i>	<i>104,005</i>	<i>105,814</i>	<i>70,040</i>	<i>-1.71</i>	<i>48.49</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	526,949	527,635	#N/A	-0.13	#N/A
<i>Total Labor Force (Unadjusted)</i>	<i>529,046</i>	<i>526,791</i>	<i>#N/A</i>	<i>0.43</i>	<i>#N/A</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.34	2.40	#N/A	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>2.36</i>	<i>2.21</i>	<i>#N/A</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Average Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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